



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

JOHN NAIMO
ACTING AUDITOR-CONTROLLER

September 16, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo *John Naimo*
Acting Auditor-Controller *SN*

SUBJECT: **LOS ANGELES CHILD GUIDANCE CLINIC – A DEPARTMENT OF
MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY
SERVICES PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Los Angeles Child Guidance Clinic (LACGC or Agency), which included a sample of billings from Fiscal Years (FY) 2011-12 and 2012-13. The Department of Mental Health (DMH) contracts with LACGC to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Children and Family Services (DCFS) also contracts with LACGC to provide Wraparound Approach Services (Wraparound) Program services. The Wraparound Program provides services to children and their families such as therapy, housing, education, and social assistance.

The purpose of our review was to determine whether LACGC provided the services outlined in their County contracts, billed DMH for program services provided, and appropriately spent DMH and DCFS Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

During FYs 2011-12 and 2012-13, DMH paid LACGC approximately \$12.8 million and \$15.3 million on a cost-reimbursement basis, and DCFS paid the Agency approximately \$651,000 and \$709,000 on a fee-for-service basis. The Agency provides services in the Second Supervisorial District.

Results of Review

DMH Program Review

LACGC generally maintained documentation to support the billings and LACGC staff had the required qualifications to provide DMH Program services. However, LACGC needs to improve the quality of documentation in their Client Care Plans and Informed Consents.

LACGC's attached response indicates that they will provide training to their case managers and psychiatrist, and their Quality Management Evaluation and Training Division will review documentation completeness.

DMH and DCFS Fiscal Review

LACGC recorded and deposited DMH and DCFS payments timely, and their DMH Cost Report appropriately reconciled to their financial records. However, LACGC charged \$20,719 to the DMH Program and \$11,612 to the Wraparound Program in questioned costs, and did not always comply with the County contract requirements. Specifically, LACGC charged the:

- DMH Program \$5,070 in FY 2012-13 for client rent assistance without any lease agreements as required by the DMH contract.
- DMH Program \$1,929 in FY 2012-13 for equipment not used for the DMH Program.
- Wraparound Program \$6,400 in FY 2011-12 and \$2,897 in FY 2012-13 for client related expenditures without appropriate documentation to support the expenditures.
- DMH Program for the shared payroll expenditures. After our review, LACGC re-allocated the employee's salary to all benefited Programs, and determined that their FY 2011-12 and FY 2012-13 DMH Cost Reports should be reduced by \$7,253 and \$6,467, respectively.
- Wraparound Program \$2,315 in FY 2012-13 for DMH training.

LACGC's attached response indicates that they adjusted their DMH and DCFS costs accordingly, and resubmitted their Cost Reports.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LACGC, DMH, and DCFS. LACGC's attached response indicates that they adjusted their financial records to reduce the questioned costs and will submit their revised Cost Reports to DMH and DCFS.

We thank LACGC management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:sk

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Dr. Marvin J. Southard, D.S.W., Director, Department of Mental Health
Shelly Holmes, Board Chairperson, LACGC
Elizabeth Pfromm, President and CEO, LACGC
Public Information Office
Audit Committee

**LOS ANGELES CHILD GUIDANCE CLINIC
DEPARTMENT OF MENTAL HEALTH AND
WRAPAROUND APPROACH SERVICES PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2011-12 AND 2012-13**

PROGRAM SERVICES

Objective

Determine whether Los Angeles Child Guidance Clinic (LACGC or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their DMH contract and related guidelines.

Verification

We selected 45 (1%) of the 9,109 approved Medi-Cal billings and 10 (1%) of the 890 approved full-day billings for August and September 2012, which were the most current billings available at the time of our review (August 2013). We reviewed the Assessments, Client Care Plans, Progress Notes, Informed Consent, and Weekly Summaries maintained in the clients' charts for the selected billings. The 45 billings and 10 full-day billings represent services provided to 25 clients. In addition, we reconciled an additional 101 service days billed for the Day Treatment Intensive (DTI) Program to the client attendance sheets.

Results

LACGC generally maintained documentation to support the billings reviewed. However, LACGC needs to improve the quality of documentation in their Client Care Plans and Informed Consent forms.

Client Care Plans

LACGC did not complete some elements of two (8%) of the 25 Client Care Plans reviewed in accordance with their DMH contract. Specifically:

- One Client Care Plan for the Targeted Case Management (TCM) service did not contain specific or measurable objectives. It also did not contain the objectives related to the presenting problem, diagnosis, or functional impairment document in the Assessment as required by the DMH Provider's Manual, Chapter 1, Page 1-11. According to the DMH Provider's Manual, Client Care Plans should include clinical/case management objectives that are SMART (specific, measurable, achievable, relevant, and time-bound), and they should relate to the identified mental health impairments and diagnosis/symptomology as documented in the Assessment.

- One Client Care Plan was not developed for the TCM service although the services were provided as required by the DMH's Provider's Manual, Chapter 1, Page 1-10. According to the DMH Provider's Manual, a TCM service should be associated with an objective. We noted a similar finding during our prior monitoring review.

Informed Consent Forms and Annual Medication Review

LACGC did not document Informed Consent for one (14%) of the seven clients reviewed who received treatment with psychotropic medication as required by the DMH Provider's Manual, Chapter 2, Page 2-11. According to the DMH Provider's Manual, a voluntary client shall be treated with psychotropic medications only after s/he has been informed by the physician of his/her right to accept or refuse such medications.

In addition, for one client who received medication for over a year, the Agency did not document the annual review of the medication as required by the DMH Policy and Procedure 103.01, 4.1.2.1. The DMH Policy and Procedure requires the prescribing physician to document their review of medication with the client at least annually even in the absence of medication changes. Informed Consent forms and the annual review document the clients' agreement to a proposed course of treatment based on receiving clear, understandable information about the treatments' potential benefits and risks.

Recommendations

Los Angeles Child Guidance Clinic management:

- 1. Ensure that Client Care Plans are completed in accordance with their Department of Mental Health contract.**
- 2. Ensure that Informed Consent is documented in the client's chart prior to treatment with psychotropic medication, and that medication is reviewed on an annual basis.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staff to client ratio of 1:8 in their DTI Program.

Verification

We selected five days that LACGC billed for the DTI Program in August and September 2012, and reviewed the clients and staff sign-in sheets and staff timecards.

Results

LACGC maintained the required staff to client ratio in their DTI Program.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether LACGC's treatment staff had the required qualifications to provide the mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 20 (16%) of the 128 LACGC treatment staff who provided services to DMH clients during August and September 2012.

Results

Each employee reviewed had the qualifications required to provide the billed services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether LACGC properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed LACGC personnel, and reviewed their financial records and June 2013 bank reconciliations for two bank accounts.

Results

LACGC properly recorded revenue in their financial records, deposited DMH and Department of Children and Family Services (DCFS) cash receipts timely, and bank reconciliations were reviewed and approved by Agency management timely.

Recommendation

None.

EXPENDITURES/COST ALLOCATION PLAN**Objective**

Determine whether LACGC's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to the DMH and Wraparound Approach Services (Wraparound) Programs were allowable, properly documented, and accurately billed.

Verification

We reviewed the Agency's Plan and their financial records for 112 (57 DMH, 23 Wraparound, and 32 shared) non-payroll expenditures, totaling \$816,459 (\$348,940 DMH, \$47,074 Wraparound, and \$420,445 shared), charged to the DMH and Wraparound Programs from January 2011 through June 2013. We also interviewed Agency personnel.

Results

LACGC's Plan was prepared in compliance with their County contracts requirements, and LACGC maintained documentation to support 98% of their Program expenditures. However, LACGC charged \$6,999 to the DMH Program and \$11,612 to the Wraparound Program in questioned costs. Specifically, LACGC:

- Charged the DMH Program \$5,070 in FY 2012-13 for client rent assistance without any lease agreements as required by the DMH contract. After our review, the Agency removed the \$5,070 from the DMH Program costs. However, the Agency needs to submit a revised FY 2012-13 Cost Report.
- Charged the DMH Program \$1,929 in May 2013 for a laptop and laser printers that did not benefit the DMH Program.
- Charged the Wraparound Program \$6,400 in FY 2011-12 and \$1,750 in FY 2012-13 for client rent assistance without lease agreements and other documentation to support the expenditures. LACGC made checks payable to their staff and a client's mother instead of landlords, and did not provide documentation to support that the landlord received the correct rent amounts for client housing.

- Charged the Wraparound Program \$2,315 in FY 2012-13 for DMH training.
- Charged the Wraparound Program \$1,147 in FY 2012-13 for purchasing furniture for a client without an invoice, itemized receipts, and documentation to support the client's needs.

Recommendations

Los Angeles Child Guidance Clinic management:

3. Reduce the Fiscal Year 2012-13 Department of Mental Health Cost Report by \$6,999 (\$5,070 + \$1,929), and repay the Department of Mental Health for any excess amounts received.
4. Reduce the Fiscal Year 2011-12 Wraparound Approach Services Program expenditures by \$6,400 and the Fiscal Year 2012-13 Wraparound Approach Services Program expenditures by \$5,212 (\$2,315 + \$1,750 + \$1,147), and repay the Department of Children and Family Services for any excess amounts received.
5. Ensure that only allowable Program expenditures are charged to the Department of Mental Health and Wraparound Approach Services Programs.
6. Ensure that the Department of Mental Health and Wraparound Approach Services Program expenditures are supported with adequate documentation.
7. Ensure that equipment purchased with the Department of Mental Health and Wraparound Approach Services Program funds are solely used for the benefit of the Programs.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether LACGC's fixed assets and equipment purchased with DMH and Wraparound funds were used for the appropriate Programs and adequately safeguarded.

Verification

We interviewed LACGC personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of 23 items purchased with DMH and DCFS Wraparound funds in prior years to verify the items exist and were being used for the Programs.

Results

LACGC used the 23 items sampled for the appropriate Programs. However, LACGC does not conduct a yearly inventory. Agency management indicated that the last inventory count was in 2011.

Recommendation

- 8. Los Angeles Child Guidance Clinic management perform an annual inventory.**

PAYROLL AND PERSONNEL**Objective**

Determine whether the Agency appropriately charged payroll costs to the DMH and Wraparound Programs, and maintained personnel files as required.

Verification

We compared the payroll costs for 30 (16 DMH, six Wraparound, and eight shared) employees, totaling \$144,006 (\$79,545 DMH, \$14,751 Wraparound, and \$49,710 shared) for May 2013, to the Agency's payroll records and time reports. We also interviewed staff and reviewed their personnel files.

Results

LACGC maintained personnel files as required. However, LACGC charged 100% of a shared employee's payroll costs to the DMH Program instead of allocating the payroll costs to all Programs that the employee worked. LACGC charged the DMH Program \$72,527 in FY 2011-12 and \$64,669 in FY 2012-13 for 100% of the shared employee's payroll costs. After our review, LACGC re-allocated the employee's salary to all benefited Programs, and determined that their FY 2011-12 and FY 2012-13 DMH Cost Reports should be reduced by \$7,253 and \$6,467, respectively.

Recommendation

- 9. Los Angeles Child Guidance Clinic management reduce the Fiscal Years 2011-12 and 2012-13 Department of Mental Health Cost Reports by \$7,253 and \$6,467, respectively, and repay the Department of Mental Health for any excess amounts received.**

DMH COST REPORT

Objective

Determine whether LACGC's FY 2011-12 DMH Cost Report reconciled to their financial records.

Verification

We compared the Agency's FY 2011-12 DMH Cost Report to their financial records.

Results

LACGC's FY 2011-12 DMH Cost Report reconciled to their financial records.

Recommendation

None.



Los Angeles Child Guidance Clinic

A nonprofit community-based agency which has served the needs of children and families in Central and South Los Angeles since 1924. For more information, visit our website at www.lacgc.org

UNIVERSITY PARK OFFICE
3031 S. Vermont Avenue
Los Angeles, CA 90007
Ph. (323) 373-2400
ACCOMMODATION and FINANCE
Fax (323) 766-2370
ACCOUNTING DEPARTMENT
Fax (323) 373-2425
The Jack H. Marshall Center for Early Childhood Development
Fax (323) 373-2442
HUMAN RESOURCES
Fax (323) 766-1946
LIFE LEARNING
Fax (323) 373-2446
FIRST STEPS
Fax (323) 373-2401

EXPOSITION PARK OFFICE
THE HARBET ARCHITECTS LEASING BUILDING
3787 S. Vermont Avenue
Los Angeles, CA 90007
Ph. (323) 766-2345
BUS DEPARTMENT
Fax (323) 766-2371
OUTPATIENT
Fax (323) 766-3636

LEIMERT PARK OFFICE
4401 Crenshaw Blvd. #300
Los Angeles, CA 90043
Ph. (323) 290-8360
Fax (323) 290-8366

ACCESS TO VOICE-MAIL
SYSTEM FOR ALL OFFICES
(323) 766-2360



Elizabeth W. Pfionm, M.S., MPA
President/CBO



*A Short Doyle Mental Health Services
Contractor of the
County of Los Angeles*

*Affiliate of USC Keck School of Medicine,
Division of Child and Adolescent Psychiatry*

*Accredited by
The Rehabilitation Accreditation Commission
for Job Development and Placement Services*

*A nationally designated "Trauma Informed
Organization" by the
National Council for Behavioral Health*

June 26, 2014

Mr. John Naimo
Acting Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

RE: Fiscal Years 2011-12 and 2012-13
Department of Mental Health and
Department of Children and Family Services Wraparound
Approach Contract Compliance Review
Results and Requested Corrective Action Plans

Dear Mr. Naimo,

The Clinic (LACGC) received the final Contract Compliance Review report issued for fiscal years 2011-2012 and 2012-2013. We agree with results discussed in the final report, and note that the Clinic provides services in the first and second supervisorial districts. Eight compliance areas were reviewed, as divided into two categories: Department of Mental Health (DMH) programs and DMH/Department of Child and Family Services (DCFS) Wraparound Approach fiscal items.

Of the eight areas, we agree that half of them resulted in no recommendations for improvement. Four areas found in compliance addressed maintaining required staffing levels in our early intervention day treatment program, ensuring staff qualifications, managing cash/revenue and reconciling cost report dollars to financial records. Specifically, we agree that our program manager ensured that the Day Treatment Intensive Program consistently maintain the required 1:8 staff to client ratio while providing daily early intervention services to very young children, as well as the fact that each of our mental health service providers had qualifications as required to provide the services billed. We also agree that our accounting practices result in properly recorded revenue, deposits made timely and that our management staff reviewed and approved bank reconciliations in a timely manner. These collective areas initially demonstrate LACGC's continuing efforts to remain a provider of quality services to our community, as it has for about the last ninety years.

Los Angeles Child Guidance Clinic

Plans of Correction

As requested, the following addresses recommendations made for improvements in the final four areas.

I. Program Services

1. Ensure that client care plans are completed.

The reviewers found that 92% of client care plans reviewed, meaning 23 of 25 plans documented by staff were complete. Both plans were for targeted case management services provided by staff holding bachelor level degrees.

2. Ensure that informed consent is documented in the client's chart prior to treatment with psychotropic medication, and that medication is reviewed on an annual basis.

DMH requires that clients be treated with psychotropic medications after being informed by the physician of the right to accept or refuse medications. The reviewers found that six of seven clients' charts included documentation of their informed consent.

In the program services area, we accept the reviewers' recommendations to improve quality of documentation by our case manager and our psychiatrist. Our Quality Management Evaluation and Training division will provide retraining to the two case managers by focusing on the DMH Provider's manual requirements for this service. Their respective supervisors will also receive retraining.

LACGC also agrees that quality documentation includes a client's written verification of informed consent, as discussed between psychiatrists and clients, as well as written annual reviews of medication services. The physician will be retrained, and review of document completion will occur by our Quality Management Evaluation and Training division.

II. Expenditures

The reviewers note that documentation was maintained for 98% of program expenditures. Meaning, accounting staff provided acceptable tracking of and documentation including receipts for the majority of items.

Regarding recommendation three, the Clinic's DMH Cost Report has been revised to reduce costs accordingly and resubmitted. Because fiscal year 2012-2013 has not been settled per usual contract procedures with DMH, the Clinic has not yet been paid. The procedure of reducing the costs as requested in this area will result in

Los Angeles Child Guidance Clinic

not being paid for these items, as recommended, when settlement activities for the cost reimbursement contract occur in the future.

Addressing recommendation number four, the Clinic's DCFS Wraparound financials for both fiscal years have been revised to reduce costs accordingly and resubmitted. The Wraparound Program has a deficit greater than the requested reduction amount in both fiscal years, FY 11-12 totals \$20,647 and FY 12-13 totals \$30,269. Therefore, no repayment is required.

Recommendation five concerns, in part, the training of two staff assigned to the Department of Children and Family Services Wraparound program in a DMH best practice for working with parents. We explained that our program staff was able to provide a higher level of quality service to parents in the Wraparound Program. We will review language and auditors' feedback and revise cost assignment practices per DMH and Wraparound Program contract and manual requirements so that expenditures are tracked for programs appropriately and train accounting staff, accordingly. The accounting department manager will charge DMH and DCFS for costs per their respective procedures as appropriate to their respective contracts.

Recommendation six addresses adequate documentation for client costs. Explaining that in our high needs service area clients facing homelessness often require immediate furniture and/or housing, we agreed with reviewers that one item discussed in part as a check made to staff resulted from a service provider accompanying a client to pay a landlord's onsite manager, and incomplete receipts were submitted by staff. Neither activity is possible under LACGC's current control practices. Meaning, prior to this review, LACGC's accounting department manager revised and instituted additional controls that eliminated checks made payable to staff for client rent and strengthened receipt requirements. LACGC agrees adequate documentation is required to verify expenditures of public dollars and we will again review and institute practices including internal procedures to meet or exceed funders' standards, such as itemized receipts and lease agreements from landlords.

To ensure that equipment purchased for each contract be used solely for either program as required by recommendation number seven, our accounting department will request the user name(s) or room numbers for equipment purchased so that the equipment will solely be charged to the benefitted program.

III. Fixed Assets and Equipment

The reviewers found that LACGC's last inventory count was in 2011. The 2014 inventory of laptops and technology equipment is now complete. LACGC management will continue the inventory as scheduled, as well as ensure that inventory of property be completed on an annual basis per the eighth recommendation.

Los Angeles Child Guidance Clinic

IV. Payroll and Personnel

The reviewers found that all personnel files were maintained according to requirements. Of the 37 individual staff reviewed for division of costs which requires a great amount of detailed time tracking between programs, only one shared IT staff was mistakenly charged to DMH only. Per the ninth recommendation, we acknowledged this mistake with the reviewers on site, updated internal review practices and revised our DMH Cost Reports for both fiscal years accordingly, as discussed. The dollar amounts will be reconciled during contract settlement procedures.

We thank your personnel for their collaborative process of review during their on-site work, meetings held in person with our team at your offices, and during preparation of the final document. The review revealed our staff's many successes in meeting requirements to provide quality mental health and program services via qualified staff and responsible fiscal management, as well as efforts to improve compliance which to date have, and will continue to, improve management of public dollars.

Sincerely,



Elizabeth Pfromm, MPA
President/CEO